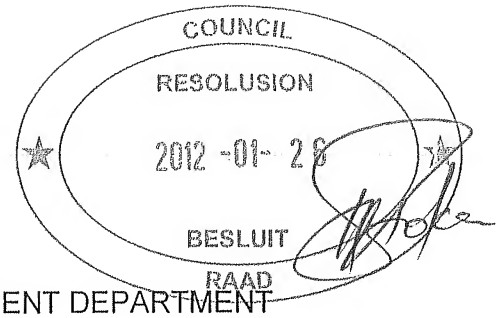


Mapule Phora (4265)
COUNCIL: 26 January 2012

10. HOUSING AND SUSTAINABLE HUMAN SETTLEMENT DEPARTMENT (HOUSING COMPANY TSHWANE)
HOUSING COMPANY TSHWANE – MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR THE 2011/2012 FINANCIAL YEAR
(From the Mayoral Committee: 18 January 2012)

1. PURPOSE

The purpose of the report is to present the Mid-Year Budget and Performance Assessment report of Housing Company Tshwane (HCT) for the 2011/2012 financial year to Council.

2. STRATEGIC OBJECTIVES

The report focus of the following strategic objective of the shareholder (City of Tshwane):

Strategic Objective 1 - Provide quality basic services and infrastructure
Strategic Objective 2 - accelerate higher economic growth and development and job creation
The strategic objectives for Housing Company Tshwane are as follows:

- Develop up to 1278 new units of affordable and quality rental units by 2014 *(Greenfield projects)*;
- Recover so-named "bad" buildings and rehabilitate at least 1700 units for rental by 2014 *(Brownfield projects)*;
- Promote and guarantee excellent service provision in property management, community development, job creation, and customer complaints management *(Service provision)*;
- Ensure that the following are achieved:
  - effective management of HCT, including all risks emerging from all strategic objectives,
  - provision and management of rental housing resources,
  - financial managements and compliance with corporate governance and other legislative requirements.
- Develop and manage a desirable Corporate Image via a comprehensive communications and social marketing strategy;
- Ensure financial sustainability of HCT

3. BACKGROUND

The Performance Audit Committee of the CoT and its Municipal Entities is the Audit Committee of Housing Company Tshwane with effect of 29 October 2009.

The Committee must advise the board of directors, the accounting officer and the management staff of the said municipal entities on financial statements and performance reports and must inform the board of directors regarding important issues which must be addressed concerning the preparation and discussion of the financial statements and performance reports.

It should be noted that although the CoT assists with the logistic arrangement for the Performance Audit Committee of the CoT and its Municipal Entities Committee i.e. the drafting of this covering report. The correctness and contents of the information in the annexure to this report is the responsibility of the municipal entities.

4. LEGISLATIVE PROVISIONS PERTAINING TO THE MID-YEAR PERFORMANCE ASSESSMENT OF MUNICIPAL ENTITIES

HCT, as a municipal entity of the CoT, and must comply with the following pertaining to the Mid-Year Budget & Performance Assessment of Municipal Entities:

4.1 **Section 88(1) and 88(2) of the Local Government: Municipal Finance Management Act (Act 56 of 2003 as amended) ("MFMA")**

Section 88(1) and 88(2) of the MFMA stipulates that:

(1) The accounting officer of a municipal entity must by 20 January of each year-

(a) assess the performance of the entity during the first half of the financial year, taking into account-

(i) the monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and
(ii) the entity's annual report for the past year, and progress on resolving problems identified in the annual report; and

(b) submit a report on such assessment to-

(i) the board of directors of the entity; and
(ii) the parent municipality of the entity.

(2) A report referred to in subsection (1) must be made public.

4.2 **Section 72 of the MFMA**

Section 72 of the MFMA stipulates that:

(1) The accounting officer of a municipality must by 25 January of each year-

(a) assess the performance of the municipality during the first half of the financial year, taking into account-

(i) the monthly statements referred to in section 71 for the first half of the financial year;

(ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
(iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and

(b) submit a report on such assessment to-

(i) the mayor of the municipality;
(ii) the National Treasury; and
(iii) the relevant provincial treasury.

(2) The statement referred to in section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.

(3) The accounting officer must, as part of the review-

(a) make recommendations as to whether an adjustments budget is necessary; and

(b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

4.3 Section 54 of the MFMA

Section 54 of the MFMA stipulates that:

(1) On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must-

(a) consider the statement or report;

(b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;

(c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;

(d) issue any appropriate instructions to the accounting officer to ensure-

(i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and
(ii) (that spending of funds and revenue collection proceed in accordance with the budget;

(e) identify any financial problems facing the municipality, including any emerging or impending financial problems; and

(f) in the case of a section 72 report, submit the report to the council by 31 January of each year.

The Mid-Year Performance Assessment report of the municipal entity must thus be received by the CoT by no later than 20 January 2012 to be consolidated into the Mid-Year Performance Assessment report of the CoT of the financial year 2011/2012 which is presented to the Executive Mayor by 25 January 2012 and tabled at the Council meeting in January 2012. The report must also made public in terms of legislative requirements as referred to above.

5. MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT OF HCT

The Mid-Year Budget and Performance Assessment Report for HCT for the financial year 2011/2012 is attached hereto as Annexure "HCT 1".

6. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

6.1 COMMENTS OF THE STRATEGIC EXECUTIVE DIRECTOR: CORPORATE AND SHARED SERVICES

6.1.1 LEGAL SERVICES

(Unaltered)

"The purpose of the report is to take cognisance of the abovementioned budget and performance assessment report.

The legal aspects have already been dealt with in the report.

The accounting officer of a municipal entity must submit all reports to the parent municipality. (Section 104 of the MFMA)

The recommendations in the report are supported."

6.2 COMMENTS OF THE CHIEF FINANCIAL OFFICER

(Unaltered)

"Cognisance is taken of the contents of the report as well as the Mid-Year Budget and Performance Assessment Report.

The purpose of the report is to present the Mid-Year Budget and Performance Assessment report of HCT for the 2011/2012 financial year to the Audit and Performance Committee of the City of Tshwane (CoT) and it Municipal Entities (ME).

There are no financial implications emanating as a result of this report."

7. IMPLICATIONS

7.1 HUMAN RESOURCES

The report does not have any Human Resource related impact for the CoT.

7.2 FINANCES

The report does not have any financial implications for the CoT.

7.3 CONSTITUTIONAL AND LEGAL FACTORS

The report is in accordance with Section 88 of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

7.4 COMMUNICATION

Communication will be done as and when required in terms of legislation.

7.5 PREVIOUS COUNCIL OR MAYORAL COMMITTEE RESOLUTIONS

None

8. CONCLUSION

The Mid-Year Performance Assessment report of the municipal entity must thus be consolidated into the Mid-Year Performance Assessment report of the CoT of the financial year 2011/2012 which is presented to the Executive Mayor by 25 January 2012 and tabled at the Council meeting in January 2012. The report must also made public in terms of legislative requirements as referred to above.

The Mayoral Committee on 18 January 2012 resolved to recommend to Council as set out below:

IT WAS RECOMMENDED (TO THE COUNCIL: 26 JANUARY 2012):

1. That cognisance be taken of the Mid-Year Performance Assessment report of HCT for the financial year 2011/2012;

2. That the Mid-Year Budget and Performance Assessment report of HCT be consolidated into the Mid-Year Performance Assessment report of the CoT of the financial year 2011/2012 which is presented to the Executive Mayor by 25 January 2012 and tabled at the Council meeting in January 2012; and

3. That the Mid-Year Performance Assessment report of HCT of the financial year 2011/2012 be made public in terms of legislative requirements.

After the Speaker has officially tabled the 2010/11 Annual Report inclusive of the reports of the Municipal Entities to Council on 26 January 2012, the Executive Mayor seconded by Cllr D Chauke proposed that the report be submitted to MPAC for oversight purposes and it be resubmitted to Council in March 2012 for deliberations and approval.

The Council acceded to the Executive Mayor's proposal and thereafter resolved as set out below:

ANNEXURE:

Annexure "HCT 1": HCT – Mid-Year Performance Assessment report of the financial year 2011/2012

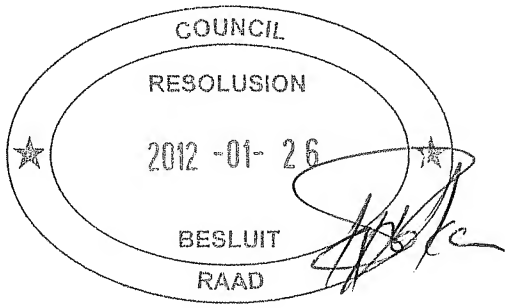
RESOLVED:

1. That cognisance be taken of the Mid-Year Performance Assessment report of HCT for the financial year 2011/2012;

2. That the Mid-Year Budget and Performance Assessment report of HCT be consolidated into the Mid-Year Performance Assessment report of the CoT of the financial year 2011/2012 which is presented to the Executive Mayor by 25 January 2012 and tabled at the Council meeting in January 2012; and

3. That the Mid-Year Performance Assessment report of HCT of the financial year 2011/2012 be made public in terms of legislative requirements.

4. That this report be submitted to MPAC for oversight purposes and it be resubmitted to the Council meeting of 29 March 2012 for deliberations and approval.



MID-YEAR PERFORMANCE ASSESSMENT
(01 July 2011- 31 December 2011)

Table of Contents

Title		Page
Section 1:	Housing Company Tshwane profile	3
Section 2:	Vision, mission and guiding principles	3-4
Section 3:	Medium-Long term strategic objectives	5
Section 4:	Corporate governance	6-7
Section 5:	Environmental analysis	8-12
Section 6:	Corporate scorecard	13-15
Section 7:	Response to Auditor General's report	16
Section8:	Financial performance	17-

(Attachments: Excel spread sheets)

1. Housing Company Tshwane's profile and mandate

HCT was established in 2001 to implement the City of Tshwane's institutional/social housing programme. in As per the Housing Act, Act 107 of 1997, institutional housing subsidies may not be administered by a local authority. HCT was therefore established to become the vehicle to access these subsidies for the development and management of social/rental housing in Tshwane. Briefly put, the HCT mandate can be summarised as follows:

- Develop, own and manage affordable rental housing opportunities close to employment nodes, transport nodes, social amenities and related public services for households earning between R1 500 and R7 500 (as revised by the National Department of Human Settlements from time to time).
- Provide rental housing accommodation for people who do not qualify for subsidy and are unable to participate in the formal, non-subsidised housing market.
- Provide property management and turnaround services for low to medium density social or rental accommodation
- Manage all CoT Council owned rental Stock
- Manage and refurbish staff and public hostels

Social Housing is one of the housing programmes designed by the National Derparment of Human Settlelments to offer quality, affordable and easily accessible housing opportunities within the Inner city. In the CoT, social housing is seen as a vehicle to bring the less affluent people closer to the city center. The CoT is conscious of the fact that the independent management of social and rental housing stock by HCT would relieve the pressure on municipal finances by dedicating the collection or rentals to an entity without "municipal baggage", and that the non-payment culture and trends exhibited in municipal rental stock would be reversed.

2. Housing Company Tshwane vision, mission and Housing mission

2.1 Vision

Company Tshwane seeks to become a leading Social Housing Institution capable of developing and managing quality, affordable social/rental housing on a sustainable basis.

2.2 Mission

To be capable of developing and managing quality, affordable rental housing on a sustainable basis. HCT will:

- Acquire, develop and hold immovable property primarily for occupation and use by individuals who qualify for assistance in terms of the institutional housing subsidy scheme implemented in terms of the National Housing Act. This can be done either through new rental housing developments, or the conversion and/or refurbishment of suitable inner-city buildings.
- Manage selected and existing rental stock on behalf of the City of Tshwane.
- To capacitate the company sufficiently for it to provide affordable, quality, integrated, well-managed rental housing units for the lower-middle income earners within the Tshwane Metropolitan area.

2.3 Guiding Principles

Housing company Tshwane subscribes to the following social housing principles:

Guiding Principle	Description
Sustainability	HCT strives to be efficient and cost effective in the delivery of housing services to qualifying tenants.
Affordability	HCT must at all times ensure that all the rental tariffs of rental stock under its management remains available to the target market as identified.
Integrity	Honest; Principled; Transparent; Accountability must underpin all operations and dealings of the company with its tenants, stakeholders, and communities.
Independence	Housing Company Tshwane is a duly registered section 21 company. It is acknowledged that Housing Company Tshwane's mandate is derived from the City of Tshwane Metropolitan Municipality ("CoT") in the first instance, but that the company is also bound by legal and other provisions from the Provincial and National Government. Notwithstanding, the independence of the board of directors is also recognised by the shareholder in the shareholder-entity relationship governed by the relevant Service Delivery Agreement ("SDA").

3. HCT 5 year Strategic objectives

In order to realise HCT's Vision and Mission HCT's "Strategic Objectives" are reduced to quantifiable, time-defined and measurable strategic objectives as follows:

No	HCT 5 Year Strategic Objective
1	Develop 5000 to 15 000 affordable and quality rental human settlement by 2014 through the following programmes ▪ Greenfields/ Brownfield's ▪ Acquire CoT owned rental stock and Refurbish" bad Buildings" ▪ Acquire Inner City Buildings and convert them into rental stock for social housing ▪ Participate in CoT "Land developed Projects" Programme (5 000 social housing per development)
2	Strive and promote excellence in the Management and Maintenance of 5 000 to 20 000 rental housing stock through the following programmes ▪ Existing HTC rental Stock ▪ Housing Stock handed from Green Fields developments ▪ Inner City Buildings acquired ▪ CoT owned rental housing stock
3	Improve the quality of life for Tenants and community through service excellence and training
4	Improve occupancy rate to 100% on all our buildings under management
5	Increase rental revenue collection to 95% on all buildings under management
6	Improve the communication and the Brand value of HCT with Tenants, Funders, shareholder, Provincial Government and the broader social housing stakeholder community*
7	Ensure that HCT is financially sustainable and liquid
8	Ensure that HCT is an employer of choice*
9	Effective management of finances, Assets, systems and Human capital*
10	Design and Implement an Institutional Transformation Plan Strategy to improve corporate governance structure and ensure adequate capacity to achieve the 5 year strategic objective* *** Strategic objectives 6, 8 and 9 not reported for assessment in Quarter 2 (2011/12). The company has engaged the services of an Organisational Design company to streamline the company's organisational structure, strategic plans and performance management systems to be consistent with the company's mandate and shareholder service delivery expectations.**

4. Corporate Governance

The Board of Directors, its Sub-Committees, Executive Management and employees of HCT are devoted to achieving the highest standards in corporate governance and corporate responsibility. The Board of Directors is responsible to the company's shareholder, being the City of Tshwane, for the oversight and implementation of good governance in the conduct of business as well as strategy development and implementation in line with good ethics and for maintaining relationships with all stakeholders in order to achieve the corporate objectives. These include:

- Giving strategic long-term direction for the future of the Company,
- Monitoring and overseeing management's performance, and
- Responding to those who have legitimate demands for accountability from the Company.

4.1 Compliance with the provisions of the code to the KING REPORT on Corporate governance

Through its processes for decision making, the exercising of responsibility and accountability starting from the Board of Directors level, to the management level of the organisation cascading to the lower levels, the company complies with the provisions of the Code to the King Report on Corporate Governance. King 3 provisions will also be applicable to the company's board processes with effect from March 2011.

The Board of Directors as well as the Board Sub-Committee has incorporated the principles of the City of Tshwane Corporate Governance Protocol in its Charters, which inter alia, regulates its relationship with the City of Tshwane as its sole shareholder, the parent municipality, in the interest of good corporate governance and good ethics.

4.2 Code of Ethics

HCT's management and employees are required to observe the highest ethical standards to ensure that business practices and professionalism are conducted in a manner which is beyond reproach. The Company has adopted a set of values and behavioural principles which require staff to display honesty, integrity, mutual respect, openness and affords them the right and obligation to challenge others who are not adhering to these values. These values are shared with all new staff as part of the formal induction programme and staffs has given an undertaking to abide by the values. These principles are incorporated in a formal Code of Ethics, which provides clear guidelines regarding expected behaviour of all employees.
Amongst the principles to which the directors, management and employees dedicated themselves are the following:

- Compliance with legislative and regulatory provisions;

- Upholding the integrity of all stakeholders i.e. the shareholder and HCT's tenants;
- Avoiding all potential conflicts of interests by being transparent in the declaration of all interests;
- Only using company resources for the benefit of its citizens and its shareholder;
- Providing all employees with the opportunity to grow and advance.

4.3 Board of Directors

The Board consists of the following directors:

Name of the Director	Role on HCT Board
Mr. Ronny Charles Mkhwanazi	Non-executive Director (Chairperson of the Board)
Mr Matome Gaffane	Executive Director (Chief Executive Officer)
Dr. Mary Gene Manthata-Setati	Non-executive Director
Mr. Michael Bandile Gcabo	Non-executive Director
Me. Lusanda Mbali Madikizela	Non-executive Director
Me. Dombolo Makgomo Masilela	Non-executive Director
Mr. Phetola Nailana Solomon Makgathe	Non-executive Director
Dr. Nalini Maharaj	Company Secretary

The Board sets strategic objectives and agrees on performance criteria by approving the medium-term business plan and budget. Implementation is monitored within relevant risk parameters through performance and variance reports.

The term of the current board ends on 29 February 2012. The City of Tshwane advertised for new members of the HCT board during the last quarter of 2010, and the process to appoint new directors is expected to be finalised within the first quarter of the calendar year 2012.

5. Environmental Analysis (2010/11)

Taking the cue from the strategic objectives outlined in section 3 above, Housing Company Tshwane has identified the following (risk) factors within its operating environment:

i. Pest Analysis

Political	Economic
▪ Operates in a highly politicised environment which includes interacting with Councillors and community groupings which can lead to communities getting different messages. ▪ Not meeting customer expectations. ▪ Poor quality of service delivery. ▪ Inaccurate perception due to lack of information. ▪ Poor public perception. ▪ Being viewed by tenants as merely an extension of the City of Tshwane.	▪ Current economic climate placing pressure on all resources including the tax payer base and the vulnerable communities. ▪ High levels of unemployment, more so than in the past. ▪ High cost of municipal services, especially electricity which has already been increased by 30% and is expected to be increase by another 29% per annum for next four years. ▪ Poorly skilled workers hit hardest
Social	**Technology**
▪ Economic hardship leads to social problems in estates. ▪ No access to Community Development programmes	▪ Implementation of best technology available hampered by budgetary constraints

ii. Swot Analysis

Internal	Strengths	Weaknesses
	▪ HCT is still regarded as a start-up company ▪ There is renewed political and administrative support from CoT as the shareholder ▪ HCT is a Municipal Owned Entity (MOE) which gives it favourable access to Land and Buildings from CoT	▪ Operate in a highly politicised environment where Councillors and community groupings involvement leads to communities getting different messages. ▪ Lack of training and career development ▪ Lack of succession planning ▪ Lack of staff access levels. ▪ IT systems access controls not yet up to standard. ▪ IT-monitoring systems not yet up to standard. ▪ Inability and/or unwillingness of tenants to pay Restrictive legislation such as the PIE Act which inhibits the application of normal legal action.
External	**Opportunities**	**Threats**
	▪ Obtain refurbishment budget for CoT stock from government funders ▪ High level satisfaction	▪ Estates in social and economic distress. ▪ Restrictive legislation such as the cost of legal compliance

	indicated by surveys. ▪ Connect with resources that specialise in Community Development ▪ Continuous engagement with CoT to discuss land transfers/allocations. ▪ Identification of suitable land opportunities with all stakeholders including the private sector.	▪ The cost of construction is increasing rapidly. ▪ The potential to overspend on maintenance budget due to poor condition of stock taken over from CoT and stock developed by other government departments ▪ Constant threat by outside parties to defraud HCT. ▪ General scarcity and competition for the available City-owned of well-located land for new development. ▪ Lack of development of revenue-generating properties for sustainability ▪ Lack of funds to purchase land ▪ Lack of grant and equity funding to improve project viability ▪ The latest increase in Eskom electricity tariffs of 29% will negatively affect the financial results.

iii. Analysis of HCT business against Gauteng Development Strategy Principles

No	Strategic Agenda Priority	HCT's Response with Regard to outcome	HCT performance to 31 December 2011
1	Pro-Active Absorption of the Poor	Targeted profile of tenants in HCT rental units. Criteria clear on who should benefit	On target. 100% compliance. Tenant profiles and listing as proof.
2	Balanced and Shared Growth	Not measured. Current portfolio too limited to be a reliable indicator of balanced and shared growth	Not quantified
3	Facilitate Social Mobility	Integration of the poor into the Tshwane inner-city	On target. Profile of current tenants fit this mould.
4	Settlement Restructuring	Integration of the poor into the Tshwane inner-city and outskirts, close to job opportunities and transport nodes	Current and planned projects are within approved restructuring zones.
5	Sustainability and Environmental Justice	HCT has adopted green practices in social housing development	New project designs incorporate environmental sustainability elements
6	Innovative Governance Solutions	Legislated. Compliance necessary and essential.	As per legislative guidelines. Sufficient compliance has been achieved.

iv. Analysis of HCT business against 2011/2012 CoT's Strategic Objectives

No	5 year Strategic Objective of CoT	Details	HCT Response with Regard to the outcome
1	Provision of quality basic services and infrastructure	▪ The formalisation of all informal settlements in CoT by 2014 ▪ The maintenance of existing service related infrastructure and ensuring provision for growth will be prioritised in both operational and capital works budget ▪ Prioritise the development of the Northern areas	Not applicable to HCT Currently only one (01) building is being maintained Social Housing must penetrate into the Northern areas as part of an integrated housing programme
2	Economic growth and development that leads to sustainable job creation	▪ CoT must succeed in increasing the level of economic activity in its regions and there by create sustainable growth and job creation opportunities resulting in more prosperous community ▪ Place emphasis on self-sustaining programmes that will alleviate poverty and capacitate the unemployed sector ▪ CoT must become less reliant on National and Provincial Government to fund its development strategies and focus on establishment and retention of external partnerships to achieve economic growth	Sustainable growth and job creation bode well for social housing in terms of the client profile targeted by social housing per se.
3	Fight Poverty and Build clean, health, safe and sustainable communities	▪ Halve poverty levels by 2014 ▪ Development of programmes to capacitate vulnerable groups in skills that will enable job opportunities to be available through vehicle such as the EPWP ▪ Provide sustainable living	The development of new social housing stock, as well as the refurbishment of existing rental stock will add to new job

No	5 year Strategic Objective of CoT	Details	HCT Response with Regard to the outcome
		standards' for indigents to be self sufficient ▪ Community empowerment initiatives will focus on restoring human dignity and installing community value systems ▪ Educate and assist communities to deal with high priority health issues such as HIV/AIDS and TB	opportunities
4	Provide Integrated Social Service for empowered and sustainable communities	▪ Regeneration of inner City through beautification initiatives ▪ Community must have access to well-equipped and staffed HSD facilities is a pre-requisite	Social housing has been proven to be an excellent catalyst to urban regeneration
5	Forster participatory democracy and Batho Pele principles through a caring, accessible and accountable service	▪ The goodwill generated by a positive customer relationship shall assist in increase in revenue for the CoT municipality	Social housing is participatory in nature (e.g. dealing with individual clients prior to occupation, during occupation and post occupation)
6	Promote Sound Governance	▪ The development of sound institutional governance will serve as an internal control system encompassing legislation, policies, procedures and people ▪ The Integration of systems and processes must lead to optimisation with a very well defined cost reduction strategy and improvement on our indicator achievement	Boards in social housing institutions are appointed for this very function.
7	Ensure Financial Sustainability	▪ CoT financial synergy revolves around issues such as where to invest, where to harvest, how to balance risk and ensure customer pay ▪ Ensure financial liquidity is about the institution's ability to be in a positive cash flow position, to be able to pay its short term financial obligations.	Unsustainable municipal-owned social housing institutions can be a financial drain on municipalities.

No	5 year Strategic Objective of CoT	Details	HCT Response with Regard to the outcome
		▪ Effective and efficient revenue, debtor, and credit rating system ▪ Re-evaluation of financial management system ▪ CoT receiving an improved credit rating to be in a position to negotiate better terms with regards external funding and loans ▪ Increase level of Public Private Partnership interventions and funding from Provincial and National Government Agencies	
8	Optimal Institutional Transformation to ensure capacity to achieve set objectives	▪ Capacitating people in the process by which they are able to influence / motivate others to accomplish their goals through understanding of the key business objectives ▪ Putting processes and steps in place to create entrepreneurship, ownership and instil a sense of pride in achieving the vision and mission of CoT ▪ A well communicated shared vision and acumen in all endeavours shall ensure continuity and sustainability of institutional arrangements ▪ Institution must focus on research and development to give meaning to the intent of a centre of excellence	A municipal entity's vision and operational objectives must add value to those of the parent municipality.

6. HCT CORPORATE SCORE CARD

(01 July 2011-31 December 2011)

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BASELINE	Q1 - Q2 TARGET	EVIDENCE	RESULT/COMMENTS
SO 1	Development of Property	1.1 Number of New Units Built Green Fields	0	0	• Approved Project Plans • Project funding Agreements • Signed Development Contracts	Not targeted for Q1 and Q2. •No new units completed in Q1 and Q2
		1.2 Number of New Units Built / Acquired Inner City Buildings	0	0	NA	Not targeted for Q1 and Q2. •No new units completed in q1 and Q2
		1.3 Acquired CoT owned Rental Stock	0	0	•Signed Service Level Agreements(SLAs) per building under HCT management	Not targeted for Q1 and Q2. •No new units acquired In Q1 and Q2.
		1.4 CoT refurbished " Bad Buildings"	0	0	•Title Deeds per refurbished building	• Not targeted for Q1-Q2. •No new units completed in Q1-Q2 No new units acquired or refurbished in Q1-Q2
SO 2	Management of Property	2.1 Number of Units procured and under Management	95	95	•Signed SLA's per building under HCT management	**Achieved on existing property only.** •New buildings not yet transferred to HCT for management •Only 95 units remain under HCT Management
		2.2 Number of allocations administered	95	95	•Signed Lease Agreements for new and existing tenants •Individual Accounts for all tenants in buildings under management	**Achieved on existing property only.**
		2.3 % of Planned Maintenance Programme implemented	100%	100%	• Completed and signed Job Cards • Maintenance expenditure reports as per approved budget	•Achieved
		2.4 % of Customer Complaint case file resolved	No unresolved Tenant complains	Min 80% complaints resolved successfully	• Complaints Register • Completed and Signed Job Cards	**Achieved. Over 90% complaints resolved or referred for resolution outside HCT**
		2.5 Number of illegal occupants regularized as a % of total illegal	0	0	• New Lease Agreements • Updated Tenant Listing	•Achieved. No illegal occupants at Eloff. •All Tenants have valid, signed lease

		residents				agreements
		2.6 % of Leased rooms vs. rooms available	95% occupancy	Min 95%	•Vacancy reports for Q1 and Q2	•+95% Achieved

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BASELINE	Q1 - Q2 TARGET	EVIDENCE	RESULT/COMMENTS
SO 4 SO 6	Collection of Rental Revenue (Industry norm = 95%, allowing for 5% default rate)	3.1 Number of Contracts Loaded on Database for billing purpose	100% of all lettable Properties	95	•Tenant Listing of 95 entries	**Achieved on the only building under management** • No new buildings under Management • Current Tenant Listing remains at 95
		3.2 Rental collected as a % of amount billed	100%	95% of rent collected	•Monthly Financial Statements	**Achieved. 113% collected (current rentals and arrear collections)**
		3.3 Arrear amounts recovered on default accounts handed over	No outstanding recoveries on defaults accounts	100% recovery	• Reports from debt collection agency retained by HCT	**Partially achieved.** Processes to maximize outstanding recoveries on default accounts in place but not 100% effective. Legal option also pursued for 90days+ overdue accounts.
		3.4 Number of rent defaulters evicted	0 Ideal=no rent defaulters	0	Court Orders authorizing evictions	**Achieved.** No evictions in Q1 and Q2
SO 3 SO 7 SO 9	Human Resource Development	4.1 Fully Functional Structure	100% capacitation as approved Organogram	70%	Signed Employee Contracts	**Partially Achieved** 65% of results achieved
		4.2 All approved positions filled	100% capacitation as approved Organogram	70%	Signed Employee Contracts Payroll versus organogram/structure	**Partially Achieved** 65% capacitation achieved

7. Response to the Auditor General's queries raised in the 2010-11 report

In response to issues raised in the 2010/11 AG's report, management drafted the following action plan:

Sect.	Audit Finding	Recommendation	Management Response	Action Plan	Target Date
9	**Fruitless and wasteful expenditure** fruitless and wasteful expenditure to the amount of R80 820 was incurred as a result of interest and penalties arising from late payment of supplier invoices and taxes due to the South African Revenue Services (SARS).	The Board of Directors and management should ensure that all fruitless and wasteful expenditure incurred are reported to the mayor and the parent municipality as required by section 102(1) of the MFMA.	Agreed, HCT did not have a Financia Manager until May 2011. The amount wa allocated to levies in the General ledger and was only realized during preparation c financial statements.	Management to ensure that all payments due are made within 30days	**Monthly**
13-14	**Predetermined objectives** The reported performance information was deficient in respect of the following criteria: • Measures taken to improve performance were not explained / included in the report on predetermined objectives. • The annual performance report does not include actions that are taken to improve performance where performance targets have not been met as required by section 41(1) (d) of the Municipal Systems Act.	• Controls exercising oversight responsibility regarding performance reporting and compliance to related internal controls should be implemented and documented as a policy. • Realistic targets that are specific should be included for all indicators in the business plan of the entity. • Management should reconsider the targets that are not realistic and achievable, until more evidence is available and exist to support the target.	We agree with the finding. Realistic targets that are specific should be included for all indicators in the revised 2011/12 business plan of the entity.	Revisit business plan and strategic plan for 2011/12 -2012/13 All pre-determined objectives to be realistic and must have measurable targets which must be reported on legislated	31 Jan 2012
15-16	**Strategic planning and performance management** •the annual performance report, the performance review does not include the actual performance of all indicators and targets as required by section 46 of the Municipal Systems Act. *Targets as per the Business Plan for the 2010/2011 financial year were not indicated for all indicators as required by section 46 of the Municipal Systems Act.	Controls exercising oversight responsibility regarding performance reporting and compliance to related internal controls should be implemented and documented as a policy. • Realistic targets that are specific should be included for all indicators in the business plan of the entity. • Management should reconsider the targets that are not realistic and achievable, until more evidence is available and exist to support the target.	We agree with the finding. Realistic targets that are specific should be included for all indicators in the revised 2011/12 business plan of the entity.	Revisit business plan and strategic plan for 2011/12 -2012/13 All pre-determined objectives to be realistic and must have measurable targets which must be reported on legislated	31 Jan 2012

8. Mid-Year financial performance (Excel spread sheets)

WILL LOAD SEPARATELY ON SHAREPOINT